IESO Engagement

From: Heather Sears
Sent: February 01, 2018 3:36 PM
To: IESO Engagement
Cc: Jennifer Jayapalan
Subject: feedback from Jan. 31/18 DAM & ERUC Session

Good afternoon,

Please forward this to the appropriate parties within IESO on both the DAM and ERUC teams. Please note that this feedback is provided by Workbench Corp directly, and does not represent the feedback or opinion of any of our clients. Because of similar themes, the feedback on DAM and ERUC is comingled.

Feedback:

A. CCGT Modeling

The IESO clearly verbally acknowledged the requirement to have a mechanism in the future DAM and ERUC that parallels what the current DACP does with pseudo-unit modeling. It would be extremely helpful to have the IESO include the acknowledgement of unit dependencies of CCGTs documented in the discussions of both DAM and ERUC. Many of the detailed design elements and scheduling concepts will have different impacts if units are scheduled independently of one another, or as a connected model. It is acknowledged that it is early to identify exactly how this will be done, be it pseudo-unit models in a tool, a registration change, some kind of virtual metering, etc., but the documented acknowledgement of this requirement would be appreciated.

B. ERUC Failure Charge

The IESO requested participants consider legitimate circumstances where a facility may fail to meet an ERUC commitment. This will assist in the development of parameters around a process for a prospective ERUC Failure Charge.

- Curtailment by natural gas distributor called with short notice
  - This would be a forced outage
- Host LDC or Transmitter forced outage where facility's own equipment remains in service
  - Forced outage, but not necessarily on generator's equipment.
- Unit trips on start-up
  - May affect the time a unit synchronizes and meets MLP – recognize that potential partial or full loss of ERUC start-up cost provides financial penalty.

Please note that this is an incomplete list. I may come up with more bright ideas. his is an incomplete list.

C. DAM Operations / Timing

The IESO has nicely reflected the gas-electric coordination project in the early timeline indications. It is important that the IESO continue to integrate DAM processes with natural gas market timelines, particularly in two areas:

1. Offer submission deadline that allows time for indicative trades and prices to be published (10:00 EPT or thereafter); and,
2. DAM financially-binding commitment schedule received ahead of natural gas timely nomination window, with a time window to make those submissions (no later than 13:30 EPT).

D. Must-Offer Obligations and Market Power Mitigation

The value of must-offer obligations in the DAM is understood. The implementation of must-offer obligations is more challenging given the mix of existing requirements under regulatory and contractual designs that are in play in Ontario. It is not clear whether the must-offer obligations under discussion apply to all future DAM

participants, or only those that are brought to market via the ICA. There are existing financial incentives that deal with the risk of physical withholding in some contracts. Adding additional must-offer obligations to existing market participants may be at best redundant and at worst punitive if those obligations are somehow conflicting with contractual terms. In the day-ahead timeframe, this is of less concern than in a real-time ERUC timeframe.

A financially-binding commitment in the day-ahead may require day-ahead fuel supply arrangements. For facilities that do not subscribe to firm all-day transportation and balancing service, a DAM schedule that respects both the indicative trading price availability and nomination timelines is important in order to meet those obligations. Must-offer parameters in the day-ahead can be implemented with minimal impact, where the timeline of the DAM recognizes the intrinsic uncertainty with natural gas pricing, commodity availability, and nomination mechanics.

However, when we look at translating must-offer obligations to the real-time market, there are challenges. Existing NUG contracts with only day-ahead must-offer obligations were designed with recognition that the security of real-time natural gas supply relies on costly services. In addition, some of these contracts are held by facilities in the northeast and northwest locations, where transmission system constraints and limited supply competitors may trigger market power mitigations. Extending must-offer obligations to real-time may have unintended consequences for these contract holders, depending on implementation. To be considered,

a) If the IESO implements an outage requirement for facilities that are unable to deliver and balance natural gas with short notice, these facilities may bump into negative consequences in the measurement of contract availability
b) If the IESO implements offer price change restrictions in real time with thresholds designed for Market Power Mitigation, these thresholds will need to be designed with sufficient flexibility to acknowledge the potentially significant cost difference between delivering day-ahead gas an real-time gas. Real time offers may need to consider increased intra-day commodity price, marketer fees, distributor penalty charges, overrun charges, etc. This may apply to MW above a DAM schedule, in addition to a DAM schedule, or for an ERUC schedule that was not signaled in the DAM. Without appropriate thresholds in the initial design, the market may be unnecessarily burdened with disagreements and/or compliance investigations.

Along these lines, it is important for the IESO to recognize and understand the capacity cost of holding the firm, flexible gas delivery and management services. While many of the large CCGT and SCGT facilities have subscribed to these services having secured sufficient capacity funding through contracts, the Market Renewal project as a whole needs to recognize the value that is provided by these services, and acknowledge that if the reliability and security of supply from the gas fleet remains a priority, a future Capacity Market (in a post-contract environment) may need to bear those service costs. The exercise in understanding, assessing and prioritizing those costs may be valuable.

Thank you for receiving these comments. Please let me know if you need any clarification.

Sincerely,

Heather

Heather Sears | VP Gas & Power Services | Workbench Corp. |